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**To:** 'Microsoft.atr(a)usdoj.gov','attorney.general(a)po...  
**Date:** 11/21/01 11:45am  
**Subject:** Settlement proposal...Please use extreme caution...

As a consumer who is interested in the best economic choice in hardware and software, I ask you to use extreme caution and diligence in accepting the latest settlement proposal. I admit that I do not have all the facts in front of me, so forgive me if my assumptions are incorrect. My understanding is that Microsoft, should the proposed settlement be accepted, would provide \$1Billion worth of technology resources to schools in under privileged districts. While I fully support the use of the money to benefit schools in under privileged communities, I have a significant concern about the long term implications and offer, instead, the following proposal:

#### Proposal

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Before I detail my concerns, I would like to suggest a proposal: The department of justice fines Microsoft for the same amount proposed (in cash and equivalent software costs), and uses the money collected to send grants to the same schools that would benefit from the settlement proposal. The schools then choose what hardware and software to buy, in a free market transaction. Schools will benefit from improved technology, the economy would benefit from a \$1Billion revenue infusion, and the consumer would benefit from free and equitable purchasing decisions.

#### Reasoning

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You will probably hear these arguments, but I wanted you to hear them from a consumer whose only interested is in a free and competitive marketplace. Yes, I am a Macintosh user, but not a fanatic. I use them because they are competitively priced and well designed, and because their presence in the marketplace gives at least a little reason for Microsoft to be concerned in the consumer and education market spaces. As most Macintosh users, I am also a Windows user. I want the freedom to use the best available tool (best from an economic standpoint).

I will keep it short, but have two key concerns. If Microsoft retains significant decision rights or influence over what software and hardware solutions are distributed, they will do so to their own advantage. This means that they will have strong incentives to install Windows based hardware and software solutions, which will result in the following:

1. Microsoft will gain unfair install base in a market that is still a Macintosh stronghold
2. This settlement will give Microsoft brand strength that will materially benefit the corporation and its shareholders.

These two concerns, from an economic standpoint, result in the same outcome. Microsoft, as a result of the settlement, will enjoy future cash flows and, thus, value as a result of this proposal. The proposal is therefore, not punitive, but is actually a good business investment. Here's why.

Computer hardware and software are, by design, a sticky business with high switching costs. Once you have invested in a platform, whether Windows, Apple or Unix, it becomes very costly to switch. Hardware and software compatibility problems, as well as long learning curves, make it costly to change from one platform to another. By donating their software to schools, Microsoft gets a jump step into a market that is still a stronghold for Apple. This will have two effects. First, assuming that some of these donated products supplant those of a competitor, Microsoft gets their products placed in place of a competitor. Since their products have zero marginal cost, Microsoft stands to lose substantially less than the \$1Billion dollars noted in recent articles. Second, vendors of Windows compatible hardware will gain install base and market share in the educational space. Should this share become significant, tipping effects will cause future purchasing decisions to favor Windows-based products by a significant margin. As a result, one of the few remaining competitive markets in the PC industry becomes a monopoly market.

Microsoft will also stand to benefit in terms of brand strength. They could enjoy significant goodwill resulting from what seems more like a 'fair deal' than a punishment, and their products are in the hands of potential future consumers. A year from now, no one in those schools will remember the law suit, but they will be looking at the Windows logo on their computer screens every day.

From the standpoint of the shareholder, this is not a punishment, this is a marketing investment: a one time cash outflow that will potentially create a stream of future inflows. It benefits Microsoft materially, and hurts its competitors. Isn't this exactly what this lawsuit was intended to correct?

Dale E Boudreau

"We are what we repeatedly do. Excellence, then, is not an act, but a habit." - Aristotle

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